STATE LAW REQUIRES 2014 SCHOOL DEBT MILLAGE RATE CALCULATIONS TO REFLECT STATE REIMBURSEMENT FOR 2014 PERSONAL PROPERTY TAX CUT

Local units of government have levied property taxes on all taxable property in its geographic boundaries, including commercial personal and industrial personal property. Pursuant to Public Act 402 of 2012, as amended by PA 153 of 2013, a new “small taxpayer” personal property exemption (the "Exemption") comes into effect in 2014 for commercial and industrial personal property. A "small taxpayer" is one whose combined commercial and industrial personal property owned by, leased to, or used by the taxpayer has a true cash value under $80,000. Application of that exemption will result in a loss of taxable value for governmental entities, including school districts.

For voted bond issues approved before 2013, recently enacted Public Acts 86 and 87, Public Acts of Michigan, 2014, require the state of Michigan to reimburse local school districts and ISDs for the amount of estimated revenue lost due to the Exemption and provides a mechanism for the reimbursement to occur in 2014. As a result, for voted bond issues approved before 2013, local school districts and ISDs levying debt millage in 2014 must include in their debt millage rate calculation the anticipated debt millage reimbursement that may be received from the State of Michigan for any reduction in the 2014 taxable value related to commercial personal and industrial personal property.

State law measures the taxable value loss from this new exemption by subtracting each taxing unit’s total 2014 taxable value of commercial personal and industrial personal property from its total 2013 taxable value of commercial personal and industrial personal property. This difference is defined as the ‘small taxpayer exemption loss”. This amount will be multiplied by the taxing unit’s 2014 debt millage rate to determine the state reimbursement for 2014 debt millage. Local units must use the reimbursement to repay the debt obligation.

When calculating its 2014 debt millage rate for voted bond issues approved before 2013, each local school district and ISD must add to its 2014 taxable value its 2014 small taxpayer exemption loss. Assessors and county equalization directors are required to calculate in June 2014 each taxing unit’s small taxpayer exemption loss.

Commercial personal and industrial personal property are defined to include IFT personal property, with new facility IFT personal property included at 50% of taxable value. The law provides that a property classification change should neither increase nor decrease a small taxpayer exemption loss. If property was assessed as commercial personal property or industrial property for 2014 but assessed for 2013 as either real property or utility personal property, its 2014 taxable value is excluded from the calculations. Conversely, if property was assessed as either real property or utility personal property in 2014, but assessed as commercial personal or industrial personal in 2013, its 2013 taxable value is excluded from the calculation.

The new laws contain identical provisions for debt obligations incurred before 2013 by other taxing units pledging their unlimited or limited taxing power.

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